

TO: Jim Spector DATE: December 5, 1991  
FROM: Jeanne Eibon & Robert Tomei  
SUBJECT: 1991 DIRECT MARKETING BUDGET & DATABASE NAME  
GENERATION: REVISED

As discussed, the following provides the latest estimate of qualified names for the Direct Marketing Database expected by year-end 1991 and attached is the latest 1991 budget summary.

I. Qualified Names: Direct Marketing Database

Given the programs already in execution and recent decisions by PM's Legal Department, the current database estimate for the end of 1991 is 19.8 million qualified smokers. The components of achieving this level is as follows:

PROJECT	QUALIFIED NAMES	COMMENTS
<u>November Database:</u>	<u>18.9MM</u>	
Duplicates	-148,319	Duplicates will be removed from the Database.
Florida Mailing Restriction	-455,127	No mail status of all smokers who do not have signature certifications and self-reported date-of-birth.
Potentially Undeliverables	+560,000	This program began in early November.
Name Generation Phase I	+200,000	Residual names from original program.
Name Generation Phase II	+300,000	Second phase was circulated in magazines in the beginning of November.
Brand Programs	+100,000	Qualified names expected from on-going brand programs.

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PROJECT	QUALIFIED NAMES	COMMENTS
List Purchase	+325,000	Qualified names expected from existing Select 'N Save & DataCap programs (200,000). Plus the purchase of an additional 125,000 signed names from Select 'N Save (see Budget Summary).

EXPECTED 1991 DATABASE = 19.8 MILLION SMOKERS

Florida

The total number of smokers who have been revised to "no mail" status in the state of Florida is 455,127. The detail is as follows:

	<u>Smoker Count</u>
1. Signed with Self-Reported Date-of-Birth	586,730--eligible
2. Signed without Self-Reported Date-of-Birth	21,007--no mail
3. Grandfathered with Self-Reported Date-of-Birth	205,545--no mail
4. Grandfathered without Self-Reported Date-of-Birth	228,575--no mail

In order to "re-capture" these ineligible smokers, we are proposing to place these names into a 1992 Requalification Program to obtain signature certification and self-reported date-of- birth.

Based on current Requalifications Programs, we estimate the costs will be \$488,200 (not currently budgeted for in 1992) and should yield 136,538 net names (assuming a 30% success rate). In addition to the standard Requalification Programs, we would like to take the opportunity to test alternative creative (i.e. similar to male & female oriented programs discussed for 1992 Name Generation) to maximize the capture of smoker certification and date-of-birth.

Obviously, the learning achieved from testing alternative Requalification Programs in Florida will provide PM with significant insight into the implications (i.e. response rates, net names captured with signature and self-reported date-of-birth) of a national implementation of this policy: "Signature the Universe Project".

II. 1991 Budget Summary

As documented by the attached comparison between the original 1991 budget and actual expenditures incurred/committed for this year, we estimate a positive variance of \$1,028,700 at this time.

However, there are a number of new projects which will require funding including:

ADDITIONAL 1991  
BUDGET EXPENDITURES

<u>Program</u>	<u>Cost</u>	<u>Justification</u>
Select 'N Save	\$205,000	Purchase approximately 125,000 signed names. These names will be added to the Database in 1991.
Ron Weber	\$200,000	Increase telemarketing efforts and next-day mail delivery of smoker certification (MCI) to obtain approximately 40,000 signed names. While the program will occur this year, the names will not be available for the Database until First Quarter 1992.
Western Union	\$ 37,000	To test an alternative to MCI's next-day mail delivery of smoker certification. The name recognition of Western Union may serve to significantly enhance the response to PM's telemarketing programs.

ADDITIONAL 1991  
BUDGET EXPENDITURES (Cont'd)

<u>Program</u>	<u>Cost</u>	<u>Justification</u>
Promotional Fulfillment Vendor Review	\$ 50,000	LBCo. will review a number of Fulfillment Houses (including KGF's Promotional Services Center) to determine the qualifications of different suppliers. The end result of this study will provide PM with a list of qualified Fulfillment Houses in the event PSC is fully being utilized and unable to satisfy the requirements of a particular promotional program. Note, this 1991 expenditure represents the set-up costs for this project which will primarily be conducted next year.
Direct Marketing to the Retail Trade	\$200,000	Communicate upcoming promotional offers and/or new product introductions to retailers. Primary application is for Low Volume Accounts (less than 50 cpw) not serviced by PM Field Sales. Initially, will be tested in Region 5, specifically the State of California. The costs incurred in 1991 will include the purchase of business lists to create "retailer leads" (handled by MSA) and to develop creative options for mail-in surveys.
Telemarketing/ Monskey Names	\$270,000	Purchase names and mail smoker certification to obtain approximately 55,000 net new names. Program to be executed in 1991 but names will not be added to the Database until First Quarter 1992.

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Summary of Additional Expenditures

- Total Incremental Expenditures: \$ 962,000
- Available Budget: \$1,028,700
- Estimated Positive Variance: 66,700

Jim, we believe this covers the latest status on the Direct Marketing Database and the 1991 budget. Upon your approval, we will proceed with the incremental projects as outlined above.

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# 1991 DIRECT MARKETING BUDGET

December 2, 1991

Revised

	ORIGINAL BUDGET	1991 COMMIT.	1991 BALANCE
<b>TELEMARKETING</b>			
Inbound TM (LBCo)	410	180	230
Metromail List Rental	55	55	0
TM Consultant (K&A)	200	220	-20
Magazine Subscriber Lists	65	0	65
Purch. Services: Outbound TM			
o Third Wave	0	13	-13
o Am. Matrix	50	50	0
o North Central	200	280	-80
o Weber	3550	3000	550
o Am. Airlines Direct	100	100	0
o Unique	0	103	-103
Rotisserie Sports	20	19	1
Add. TM Vendor Test	0	90	-90
<b>REQUALIFICATION</b>			
White Mail Survey	50	17	33
Pot. Undel. Test	50	36	14
Pot. Undel. Rollout	0	445	-445
RQVII (LBCo)	2100	1889	211
RQVII (Sweeps- Ventura)	400	130	270
RQVIII	2300	2950	-650
MCI Mail	0	715	-715
<b>NAME GENERATION</b>			
Southland Project	47	47	0
Indy 500	2400	2570	-170
Corp. Name Gen. - 1990 Over	500	726	-226
Corp. Name Gen. - Phase I	13900	13024	866
o Media (LBCo)		4270	
o Production - (LBCo)		1780	
o Post., Key., FF - (LBCo)		5900	
o Lighters		1084	
Corp. Name Gen. - Phase II	3500	3342	158
o Media (LBCo)		1117	
o Production - (LBCo)		1107	
o Post., Key., FF - (LBCo)		894	
o Lighters		224	

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	ORIGINAL BUDGET	1991 COMMIT.	1991 BALANCE
<b>MISC. NAME GENERATION</b>			
KGF Fulfillment Survey	50	50	0
PM Quarterly	14	14	0
Creative Dev. Fee (LBCo)	300	159	141
PM Magazine Survey (KGF)	25	25	0
Citicorp List Rental	33	33	0
<b>NAME PURCHASE/RENTAL</b>			
Select & Save	2780	2736	44
Datacap	1875	1944	-69
Specialists	81	81	0
<b>DEVELOPMENTAL PROJECTS</b>			
Competitive Tracking (LBCo)	10	4	6
S&H Counter Points Test	10	0	10
Trade Database	250	57	193
Geo Targeting Dev.	50	0	50
Kobbs & Draft	10	5	5
<b>DATABASE MAINTENANCE</b>			
Maintenance Fee (LBCo)	1700	1700	0
U.S. Monitor	5	3	2
NCOA (May & Speh)	500	348	154
Infobase Overlay	250	175	75
Lab (Epsilon/Cross Z)	300	265	35
PRIZM Annual Fee	0	83	-83
<b>FULFILLMENT/KEYPUNCHING</b>			
PSC	100	17	83
Misc. Vendors	65	35	30
Incremental Keying	0	30	-30
<b>PROFESSIONAL SERVICES</b>			
Database Consultant	25	25	0
Richmond Programmers	200	111	89
NYO Consultants	100	37	63
<b>MISCELLANEOUS</b>			
Other	0.5	0.3	0.2
LBCo Admin	40	25	15
<b>UNCOMMITTED</b>	<b>329.5</b>		<b>329.5</b>
<b>TOTAL</b>	<b>39000</b>	<b>37971.3</b>	<b>1028.7</b>

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